

## **INFORMATION BULLETIN #98**

### **INCOME TAX**

**JULY 2006**

**DISCLAIMER:** Information bulletins are intended to provide non-technical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is inconsistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, information provided in this bulletin should serve only as a foundation for further investigation and study of the current law and procedures related to its subject matter.

**SUBJECT:** College Choice 529 Education Savings Plan

**REFERENCE:** IC 6-3-3-12; IC 21-9; and Section 529 of the Internal Revenue Code

#### **I. INTRODUCTION**

House Enrolled Act 1029 of the 2006 session of the Indiana General Assembly enacted a new tax credit for contributions to a college choice 529 education savings plan. The credit applies to contributions made for taxable years beginning after December 31, 2006.

#### **II. DEFINITIONS**

A Code Sec. 529 plan is a reference to Section 529 of the Internal Revenue Code. A college choice 529 education savings plan is a program under which a person may make cash contributions to an account on behalf of a beneficiary for payment of qualified higher education expenses. The program must be established and maintained by a state or state agency. Qualified higher education expenses include tuition, fees, books, supplies and equipment required by the educational institution for enrollment or attendance. Reasonable room and board expenses are included if the beneficiary is enrolled at least half-time.

### III. TAX CREDIT AVAILABILITY

The tax credit is only available to taxpayers that have established an account with the College Choice 529 Investment Plan. Contributions to accounts established through private colleges or universities are not eligible for the credit; however, funds in the College Choice 529 Investment Plan can be used by the account beneficiary to pay qualified higher education expenses for attendance at a private college or university.

The tax credit is available to an individual filing a single return or a married couple filing a joint return. The taxpayer is entitled to a credit against the adjusted gross income tax liability for a taxable year. The amount of the credit is the **lesser** of the following:

1. Twenty percent (20%) of the amount of each contribution to a the plan during the taxable year;
2. One thousand dollars (\$1,000); or
3. The amount of the taxpayer's adjusted gross income tax liability for the taxable year reduced by the amount of credits allowed under IC 6-3-1 through IC 6-3-7.

A taxpayer qualifying for the credit is not entitled to a carry back, carry forward or a refund of any unused credit. The tax credit may not be sold, assigned or transferred by the taxpayer eligible to claim the credit.

A taxpayer shall claim the credit on the taxpayer's annual state income tax return. The taxpayer, upon request of the Department shall submit proof of the amount of contributions made to the trust account during the taxable year. The requested proof may be submitted by providing a copy of the trust account statement for the year in which the credit is claimed.

Indiana's College Choice 529 Investment Plan is administered through the Indiana Education Savings Authority. More information can be obtained from their Web site at [www.in.gov/iesa/](http://www.in.gov/iesa/) and at [www.collegechoiceplan.com](http://www.collegechoiceplan.com)



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John Eckart  
Commissioner